

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1142 – HB 926

March 27, 2013

SUMMARY OF ORIGINAL BILL: Amends the *Utilization Review Act* (URA) by requiring that any restriction, preauthorization, adverse determination or final adverse determination made by a utilization review agent be based upon medical necessity or the appropriateness of the health care services. Requires an independently developed evidence-based standard exist for any health care item, treatment, test, or imaging procedure before an agent denies health insurance coverage for any such health item, treatment, test, or imaging procedure. Requires agents to apply certain written clinical criteria in a consistent manner when conducting reviews. Further requires agents to consult practicing physicians prior to establishing, or substantially or materially altering, such criteria. Requires that written clinical criteria and preauthorization statistics regarding preauthorization approvals and denials be provided on the agent's respective website. Requires a 60-day notice be provided prior to the implementation of a new preauthorization requirement or restriction, or an amendment to an existing preauthorization requirement or restriction.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$3,828,000/FY13-14
\$7,656,000/FY14-15 and Subsequent Years

Increase Federal Expenditures - \$2,835,700/FY13-14
\$5,671,300/FY14-15 and Subsequent Years

Increase Local Expenditures - \$131,300/FY13-14/Permissive
\$262,500/FY14-15 and Subsequent Years/Permissive

Other Fiscal Impact – According to Divisions of Benefits Administration, the increases in local expenditures will result in increased premiums for the enrollees in the local government plan because the state takes no share of such plan.

SUMMARY OF AMENDMENT (005513): Removes language in original bill requiring agents to consult practicing physicians prior to establishing, or substantially or materially altering, evidence-based criteria. Removes language in original bill stating, that, if no evidence-based standards exist for a particular health care item, treatment, test, or imaging procedure, the utilization review agent cannot deny coverage based solely on the grounds that the item, treatment, test, or imaging procedure does not meet an evidence-based standard. States that the provisions of this bill will not apply to any TennCare Dental Benefits Management Program.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:


NOT SIGNIFICANT

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 56-6-705 (b), NCQC and URAC accredited health care plans are exempt from the provisions of this bill. According to the Department of Finance and Administration's Division of Benefits Administration, its third party administrator (TPA) contracts currently require TPAs to maintain NCQA accreditation; therefore, all plans administered by the Division do not apply to the provisions of this bill.
- There will be no significant fiscal impact to state or local government.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

/jdb